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DEPT PLEASE PASS TO USTR JMCHALE, KSCHAGRIN, AND CHINCKLEY
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DEPT PLEASE PASS TO FTC FOR HSTEVENSON
BRUSSELS FOR USEU JUNDERWOOD

E.O. 12958: N/A
TAGS: [ECPS](#) [ETRD](#) [FR](#)
SUBJECT: ARCEP RESPONSE TO COMPTTEL 1377 COMPLAINT

REF: JANUARY 31 USTR/HINCKLEY-SULLIVAN E-MAIL

¶1. (U) Summary. On October 9, 2006 French telecoms regulator ARCEP issued a decision on the business leased lines market, which introduced a more transparent framework for price setting. ARCEP hosts a meeting every other month with all operators, including France Telecom (FT), to compare prices that FT is offering to operators, and to pressure FT to lower rates. The October 9 ARCEP decision required unbundling not only at France's 10,000 local exchanges, but also at its 40 regional exchanges. ARCEP is forcing FT to share its ducts with other operators so the latter can develop their own fiber networks. ARCEP consults OECD and European Regulatory Group benchmarks in rate-setting, and monitors France Telecom rates periodically. ARCEP reps say they have not received complaints from operators about the amount of time it takes to receive a line, nor regarding pricing. End summary.

Reaction to the Comptel submission

¶2. (SBU) On February 14, econoff met with French Electronic Communications and Postal Services Regulator (ARCEP) International Division Deputy Director Joel Voisin-Ratelle and FTTx and Unbundling Head Sebastian Soriano to discuss Comptel's submission to USTR as part of the 1377 review of compliance with telecommunications trade agreements. Both expressed surprise at Comptel's comments since ARCEP was working closely with Verizon on its operations, and no other U.S. carrier had approached ARCEP directly about the length of time needed to gain access to unbundled loops or interconnection pricing.

Rate Setting Process

¶3. (U) ARCEP has a transparent rate setting process that extends to all types of wholesale offers including Local Loop Unbundling (LLU); bitstream wholesale offers in which FT activates the end customer's copper pair with its own access equipment and routes the Internet flows to the closest delivery point between its backhaul network and that of the alternate provider; and access to FT's regional exchanges so that the alternate provider can meet the needs of Internet service providers that have not deployed national networks. ARCEP requires FT to provide full Local Loop Unbundling (LLU) at cost-oriented tariffs.

¶4. (U) On October 9, 2006, ARCEP issued a decision on the business leased lines market, which the EU Commission approved. Soriano said

this decision introduced a more transparent framework for price setting, and greater investment by the incumbent and alternative operators in fiber optic networks to businesses' premises. Soriano outlined a new system of monitoring the fairness of competition between operators on the wholesale and retail markets. ARCEP hosts a meeting every other month with all operators, including FT, to compare prices that FT is offering and to pressure FT to lower rates. In this way, ARCEP is ensuring that FT does not offer lower prices to its end-user customers than those provided to competitors.

ARCEP initiated this process based on its experience with local loop unbundling in which operators met with FT as a group to apply pressure to lower rates, Soriano explained. Finally, Soriano indicated that the October 9 ARCEP decision required unbundling not only at France's 10,000 local exchanges, but also at its 40 regional exchanges, which he said is a unique requirement. FT has to publish a reference offer for products and services that provide access to France's regional exchanges.

The Wholesale Market -- ARCEP Carefully Monitors Rates

15. (U) Soriano said that ARCEP carefully monitors wholesale rates, particularly for Ethernet and Bitstream, which is an ARCEP "priority." As a result, ARCEP is forcing FT to share its ducts with other operators so that they can develop their own fiber networks. He stressed that ARCEP has received no complaints on rates so far. ARCEP consults OECD and European Regulatory Group benchmarks in rate-setting and monitors France Telecom rates periodically.

No Delays in Receiving Lines

16. (U) Soriano and Ratelle said that operators had not complained to

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them about the time it takes to receive a line. If operators want to deviate from FT's reference offer (as negotiated with ARCEP) to structure unique packages, Soriano allowed that there could be a delay. In practice operators were not complaining to ARCEP about postponements. However Soriano and Ratelle said they were preparing for such an eventuality.

Stapleton